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Mexico

Coffee

Annual

2002

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Report Highlights:
After a long period of suffering low international coffee prices, Mexico's coffee production and exports may see light at the end of the tunnel soon as prices are expected to increase for MY2002/03.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Mexico [MX1], MX

SECTION I. SITUATION AND OUTLOOK

Coffee Situation and Outlook: Mexican coffee production for MY2002/03 is expected to increase as a result of the on-year for production in main coffee producing areas, and higher yields from large and medium coffee growers. As a result of the lack of affordable credits, small growers will find it difficult to finance all the required cultural practices in order to recover production levels of previous years. The recent financial support program launched by the Government of Mexico reportedly will only partly help small growers overcome financial distress caused by the drop in exports in MY2000/01 and MY2001/02.

SECTION II. STATISTICAL TABLES

PS&D, Coffee, Green

(1000 60-Kg. Bags) (Million Trees) (1000 hectares)

PSD Table						
Country:	**Mexico**					
Commodity:	**Coffee, Green**					
	2001		**2002**		**2003**	
	Old	New	Old	New	Old	New
Market Year Begin	**10/2000**		**10/2001**		**10/2002**	
Area Planted	730	730	730	730	0	730
Area Harvested	650	650	700	600	0	700
Bearing Trees	700	700	700	700	0	700
Non-Bearing Trees	180	180	180	180	0	180
TOTAL Tree Population	880	880	880	880	0	880
Beginning Stocks	0	0	0	0	0	0
Arabica Production	5100	4600	5300	4500	0	5000
Robusta Production	200	200	200	200	0	200
Other Production	0	0	0	0	0	0
TOTAL Production	5300	4800	5500	4700	0	5200
Bean Imports	0	0	0	0	0	0
Roast & Ground Imports	0	0	0	0	0	0
Soluble Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	5300	**4800**	5500	**4700**	0	**5200**
Bean Exports	4100	3622	4300	3500	0	4000
Roast & Ground Exports	20	20	20	20	0	20
Soluble Exports	180	180	180	180	0	180
TOTAL Exports	4300	3822	4500	3700	0	4200
Rst, Ground Dom. Consum	450	428	500	500	0	500
Soluble Dom. Consum.	550	550	500	500	0	500
TOTAL Dom. Consum.	1000	978	1000	1000	0	1000
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	5300	**4800**	5500	**4700**	0	**5200**

SECTION III. NARRATIVE ON SUPPLY AND DEMAND, POLICY & MARKETING

PRODUCTION

Mexican coffee production for MY2002/03 (Oct-Sept) is forecast to increase by 10.6 percent over the previous year's production estimate due to expected improvement in international coffee prices resulting, quite possibly, from coffee retention schemes implemented last year by several coffee producing nations including Mexico. Additionally, government assistance to producers is continuing through state and federal support programs in an attempt to recuperate Mexico's export market and thus help small coffee growers improve their economic situation. Mexico's coffee production for MY2001/02 fell considerably due to low international prices which made coffee harvesting in Mexico unproductive and too expensive to be competitive in the international coffee markets. The production estimate for MY2000/01 is revised downwards to reflect updated data from the Mexican Coffee Council (CMC) and final government data.

Crop Area

Planted area for MY2002/03 is forecast to remain unchanged from the previous year's estimate but harvested area is projected to increase by 16.6 percent from the previous year's revised estimate due to expected improvement in international coffee prices and expected improvement in cultural practices and inputs made available through government assistance programs. Harvested area for MY2001/02 is revised downward because of low international coffee prices which caused many small grower's coffee crops to be unprofitable to harvest.

Yields

Yields continue to vary widely in Mexico due to variations in crop care, the use of fertilizer, pesticides and other inputs fueled by variations in international prices. Most growers reduced input utilization due to reduced income caused by low international coffee prices. Lack of sound tree care increased coffee rust and broca, but significant damage has not been reported. The presence of these pests has adversely affected yields rather than killing trees. With the expected increase in grower's prices, input utilization, particularly fertilizers and fungicides should increase somewhat. Unfortunetly, increased grower returns, particularly by a large percentage of the nearly 300,000 small producers, normally have little effect on improved tree care because, in the past, they have commonly spent their increased incomes to meet basic needs rather than improve cultivation practices, resulting in continued low yields.

CONSUMPTION

Total domestic coffee consumption in MY 2002/03 is expected to remain unchanged from the previous year's estimate due to high domestic retail prices. Moreover, domestic coffee has become a luxury item as prices are normally aligned to international prices. Much for the same reason as above consumption for MY2001/02 is estimated to remain unchanged from our prevous estimate. Consumption for MY2000/01 is revised downward to reflect updated data from the CMC and final government data.

Domestic roasters claim that access to cheaper green coffee from other exporting countries may increase sales of their processed products in the domestic market. However, it is unlikely that the GOM will remove phytosanitary restrictions due to the large number of exotic coffee pests and diseases identified in major coffee producing countries. At present, only imports of semi-roasted coffee and further processed products are permitted.

STOCKS

For MY2002/03 and MY2001/02 ending stocks are expected to remain at zero level as all production is basically exported and sold on the domestic market. Nevertheless, according to industry sources, small amounts of stocks do exist in the hands of soluble coffee producers who do not publicly release this information.

TRADE

Coffee exports for MY2002/03 are expected to increase by 13.5 percent from the previous year's revised estimate due to the expected increase in production and expected improvement in international coffee prices. For MY2001/02, exports are revised downward from the previous estimate as production has decreased due to low international prices which growers claim to be below Mexico's cost of production. For MY2000/01, coffee exports are revised downward from our previous figure to reflect updated data from CMC and final government data.

In the face of coffee prices having dropped by approximately 40 and 30 percent for robustas and arabicas respectively, the CMC supported and joined other Latin American coffee producing nations in the implementation of stock retention schemes to try to increase international prices. Mexico appears to agree on the need to coordinate policy in the face of prices which for many Mexican producers are insufficient to cover production costs.

Most of Mexico's coffee exports continue to be washed arabicas. Approximately 85 percent of total exports go to the U.S. market.

Tariffs

Mexican coffee exporters do not pay export duties, nor are export permits required.

POLICY

The Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Foodstuffs (SAGARPA), on February 25,2002, announced in the *Diario Oficial* (Mexico's Federal Register) a new support program to coffee producers in several states. The new support, called "Rules of Operation of the Coffee Stabilization Fund," will be applied to coffee growers in 12 states. The new support payment program will be valid through December 31, 2002.

The support will be applied to either of the four following objectives: 1) Economic support to partially compensate grower's income during low coffee price seasons; 2) Economic support for improving coffee quality and domestic coffee consumption; 3) Recuperate operating funds of the program when international coffee prices allow; and 4) Establish a permanent mechanism of revolving economic support to each eligible coffee producer in seasons when the international coffee price is below the levels established in this support program.